



Silver : Correction to Comeback!!!

Silver surged from under \$30 to over \$120 in just 18 months – then corrected sharply towards \$60. Now trading in the low \$60s to high \$90s, most important question is: **are the fundamentals that drove the rally still intact?** Let's walk through the data, the risks, and how to think clearly when emotions run high.

*source for data points in report: Reuters, Bloomberg, silverinstitute

The Psychology of Buying After Big Moves

When silver was \$24, nobody cared. At \$35, people waited for a pullback. At \$50, headlines started. At \$70, FOMO kicked in. By \$121, mania — followed by a gut-wrenching correction back to the high \$70s. **This pattern repeats in every major rally.**



The antidote? **Remove emotion and focus on what actually matters:** fundamentals, valuation context, and risk management. The spike to \$120 and violent correction to the \$60s isn't unprecedented — it's how silver behaves. During the 2009–2011 rally, silver experienced *four separate corrections exceeding 25%* before reaching \$48. Corrections don't end fundamental bull markets. Broken fundamentals do.

Commodity Correlations & Market Positioning

Silver's high correlation with copper and Gold reflects the white metal's dual advantage as a industrial and a precious metal.

| Commodity Pair | Correlation (Mar'25-Mar'26*) |
|-------------------------|------------------------------|
| Silver vs. Gold | +0.94 |
| Silver vs. Copper | +0.97 |
| Silver vs. Crude Oil | -0.35 |
| Silver vs. Nifty | +0.57 |
| Silver vs. Dollar Index | +0.16 |

*as on report date

Unique Market Positioning

Silver occupies a distinctive position as the only commodity with substantial exposure to three major secular trends:

Green Energy Transition
Essential for solar panels and EVs

Digital Infrastructure
Critical for AI data centers and 5G

Monetary Hedge
Retains safe-haven characteristics during uncertainty

China's Pivotal Role in Silver Demand

China has emerged as the critical driver of silver demand growth, with a dual role as both major producer (11% of mine supply) and dominant consumer (28% of industrial demand). The nation's ambitious renewable energy targets—carbon neutrality by 2060 and renewable power capacity doubling by 2030—ensure sustained structural demand for silver-intensive technologies. Chinese PV manufacturers consumed an estimated 140-150 million ounces in 2024 alone, representing nearly 15% of global silver supply.

85%

China Solar Share

Global photovoltaic panel production dominated by Chinese manufacturers

45%

China EV Market

Electric vehicle sales as percentage of total auto sales in 2024

150M oz

Annual Consumption

Approximate ounces of silver consumed by China's green technology sector

Key Demand Drivers



Solar Manufacturing Hub

China produces 85% of global solar panels and leads installation capacity. Government mandates target 1,200 GW of solar by 2030 (currently 610 GW), requiring over 150 million ounces annually.



EV Production Leadership

Chinese manufacturers produced 9.5 million EVs in 2024, representing 60% of global output. Domestic policies target 45% EV market share by 2030, ensuring sustained silver demand growth.



Electronics & 5G Infrastructure

China's electronics manufacturing and 5G network buildout consume approximately 80 million ounces annually. Infrastructure investment programs ensure continued demand across industrial applications.

Strategic Implications

China's renewable energy buildout operates independent of Western economic cycles, providing non-correlated demand stability. Recent trends show China becoming a net importer during periods of peak industrial activity, removing previously available supply from global markets.

- China's manufacturing dominance creates supply chain concentration risk. Any disruption to Chinese PV or EV production would dramatically impact global silver consumption patterns, though current policy signals point toward sustained expansion through 2030.

Record Industrial Demand — And It's Structural

Industrial demand hit **680.5 million ounces** in 2024 — a record for the fourth consecutive year and is slightly below in 2025. Unlike investment demand, industrial consumption is sticky. Companies manufacturing solar panels, EVs, and semiconductors *need* silver regardless of price. Today, **59% of silver demand is industrial**, up from roughly 40% two decades ago. This creates a price floor that simply didn't exist in previous cycles.



Solar Panels

197.6M oz (19% of total demand). Global installations continue accelerating per IEA data. EU mandates 700 GW by 2030.



Electronics & AI

Data-center electricity demand is set to double to ~945 TWh by 2030 (~3% of global power), with AI workloads driving the majority of this growth



Electric Vehicles (EVs)

EVs use ~25–50g of silver per vehicle vs ~15–28g in ICE cars. Global EV sales are expected to exceed ~45 million units by 2030 (vs ~14m in 2023, per IEA), EVs are set to account for ~55–60% of automotive silver demand by 2030+ — structurally lifting per-vehicle silver intensity.



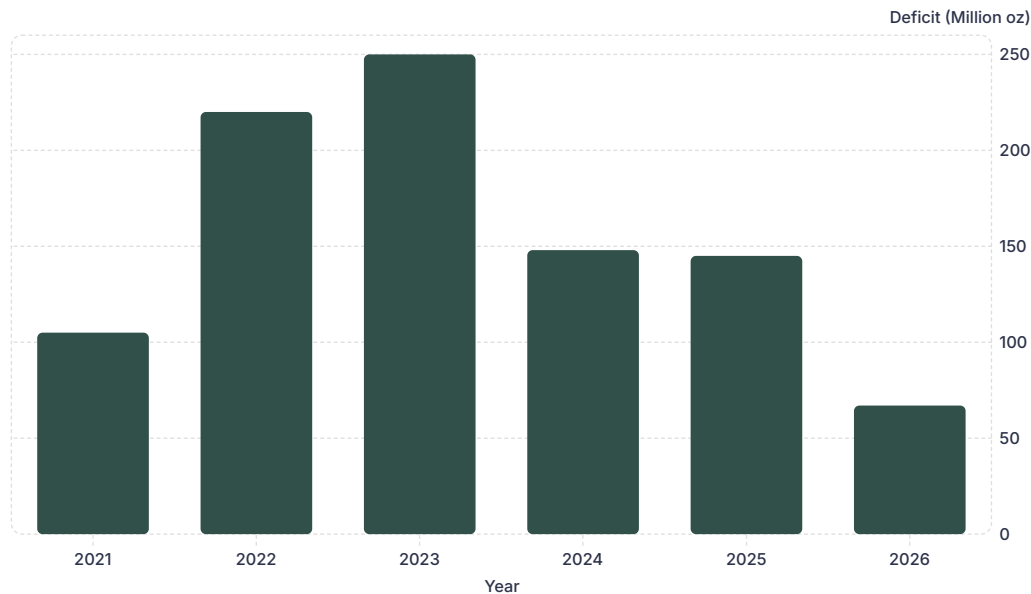
Semi-Conductor & Defense

Silver demand segment, with semiconductor fabrication & packaging using an estimated ~1,000–1,500 t annually (~30–45 Moz), while rising global defense spending (over \$2.4 tln annually) supports steady use of silver in radar, avionics, missiles, and satellite systems — embedding long-cycle, policy-backed demand into the industrial mix.

📌 **Why this matters:** In 2011, when silver hit \$48, the rally was driven primarily by speculation and investment flows. When those reversed, silver collapsed. Today's demand is policy-mandated and infrastructure-driven. Solar panels, EVs, and data centers aren't optional — they're structural.

Six Consecutive Years of Deficit

The silver market has experienced unprecedented structural tightness, with cumulative deficits totaling more than 500 million ounces from 2021 through 2026. This represents nearly an entire year of global mine production drawn from inventories, creating fundamental supply constraints that cannot be quickly resolved. The Silver Institute projects continued deficits through 2026, with industrial demand growth outpacing any realistic supply response.



Market Tightness Indicators

| | |
|----------------------|---|
| Cumulative Deficit | 820M oz exceeds annual mine production |
| Exchange Inventories | Declining sharply despite record prices |
| Physical Premiums | Widening in key regional markets |
| Solar PV Demand | 200M+ oz annually, offsetting recycling |

Physical Versus Paper: Market Structure Dynamics

The silver market operates across two distinct but interconnected spheres. Paper silver—futures contracts and ETFs like SLV traded on COMEX—provides liquidity and price discovery but can amplify volatility through leveraged positioning. Physical silver inventories, however, reveal the true fundamental tightness, with exchange-monitored stockpiles declining precipitously despite record prices.

Paper Silver Markets

Futures and ETF instruments provide immediate liquidity for institutional positioning. COMEX open interest and managed money positioning create short-term price volatility. Paper markets enable efficient hedging and speculation but mask underlying physical constraints.

Physical Silver Reality

Bullion, coins, and industrial inventory drawdowns signal genuine market tightness beyond futures pricing. COMEX registered inventories have declined substantially, while retail premiums for physical product have widened significantly, reflecting actual supply scarcity that paper markets initially overlooked.

- 📌 **Why this matters:** Physical inventory drawdowns provide the most reliable signal of fundamental supply-demand imbalances, as industrial consumers cannot defer purchases indefinitely when production requires immediate silver input.

Silver Supply Tightness & Inventory Drawdown

The silver market has been in structural deficit for five consecutive years. In 2025, supply reached ~1.03–1.05 billion oz versus demand of ~1.12 billion oz, resulting in an estimated deficit of ~95–117 million oz (with some estimates up to ~200 million oz). Cumulative shortfalls since 2021 total approximately ~800 million oz.

Supply Constraints

Mine Production

Global mine production is roughly ~820–835 million oz annually. New mine development faces long lead times, high capital costs, and declining ore grades, limiting supply responsiveness to rising demand.

Recycling Supply

Recycling contributes ~150–200 million oz annually. However, much industrial silver is consumed in non-recoverable applications (solar panels, electronics), reducing the recycling pool over time.

Inventory Drawdown

35%+

COMEX Decline

Total COMEX silver inventories fell from ~532M oz (Oct 2025) to ~366M oz (Feb 2026)

<90M

Registered Stocks

COMEX registered inventories dropped below 90 million ounces

200–300M

LBMA Free Float

London Bullion Market Association free float inventories estimated range

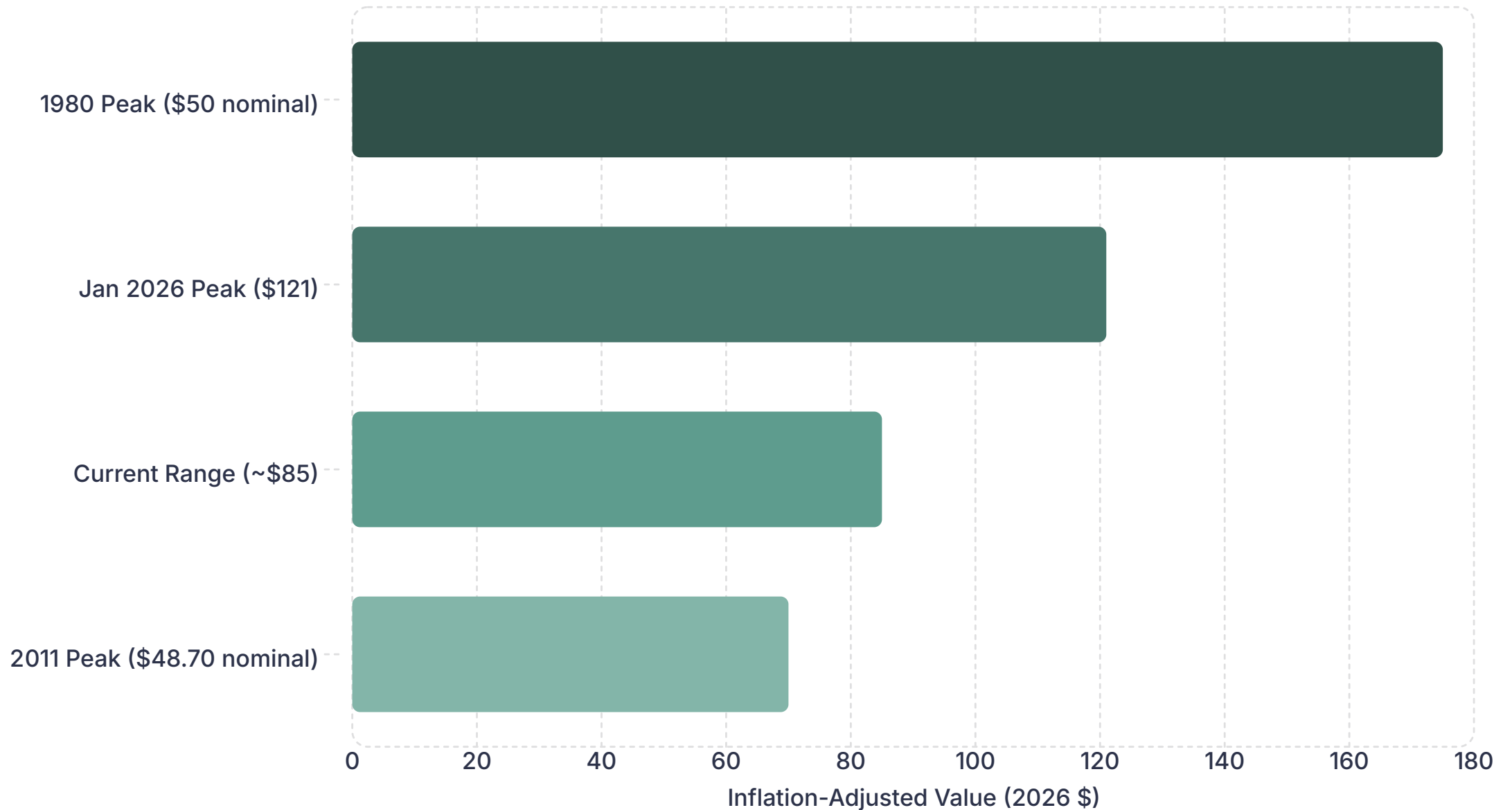
Shanghai exchange stocks have fallen to decade lows, while global exchange-monitored inventories continue declining despite record prices. This persistent drawdown across multiple exchanges signals genuine physical tightness beyond paper market dynamics.

- ❑ **Sustained deficits** and persistent inventory drain reduce above-ground buffers, increasing physical tightness and market sensitivity to demand shocks. Unlike previous cycles, industrial consumers cannot defer purchases indefinitely when production requires immediate silver input.

The Inflation-Adjusted Reality That Changes Everything

This is where the framing shifts dramatically. Silver's \$121 peak *sounds* like uncharted territory. But adjust for inflation, and the picture looks very different. **Even at \$121, silver was still 29–33% below the 1980 inflation-adjusted high.** At current prices in the \$60s, you're buying at levels barely above the 2011 real peak — and roughly 50–55% below 1980's real high.

Silver Peak



Gold Has Already Done It

Gold exceeded its inflation-adjusted 1980 peak. Silver hasn't — suggesting significant catch-up potential remains.

\$121 ≠ The Ceiling

Even at the January peak, silver was only 67–71% of the 1980 real high. Current levels are even further below.

Gold-Silver Ratio Signal

The ratio breached 50:1 in 2026 recently — a historically reliable signal of silver outperformance

Silver Across Recession & Rate Cycles: A Macro Analysis

Silver's price behavior across economic cycles is governed by a tension between two competing identities: a monetary safe-haven and an industrial commodity. This duality produces asymmetric responses to recessions, rate cycles, and liquidity shocks — making silver one of the most analytically complex assets in a macro portfolio. The following analysis examines four major cycles since 2000, maps the current 2026 setup, and outlines probable forward scenarios.

Historical Cycle Analysis

Dot-Com Crash (2000–2002)

Silver entered the cycle at ~\$5/oz and remained largely range-bound through the recession, declining modestly alongside industrial metals. The Fed cut rates from 6.5% to 1.75% by end-2001. Silver's safe-haven demand was muted — gold absorbed most monetary flows. Silver bottomed near \$4.15 in late 2001 before recovering. Key takeaway: In a deflationary tech bust with low inflation, silver underperforms gold as industrial demand collapses and monetary demand is insufficient to compensate.

Global Financial Crisis (2008–2010)

Silver dropped sharply from ~\$20/oz in March 2008 to below \$9/oz by October 2008 — a 55% drawdown — as forced liquidations and a dollar liquidity squeeze overwhelmed safe-haven demand. The Fed cut rates to 0–0.25% and launched QE1. Silver then staged a historic recovery: from \$9 to \$48.70 by April 2011, a +440% move. Real yields turned deeply negative. Key takeaway: Silver is a lagging safe-haven — it sells off first in acute crises, then dramatically outperforms as monetary stimulus floods the system.

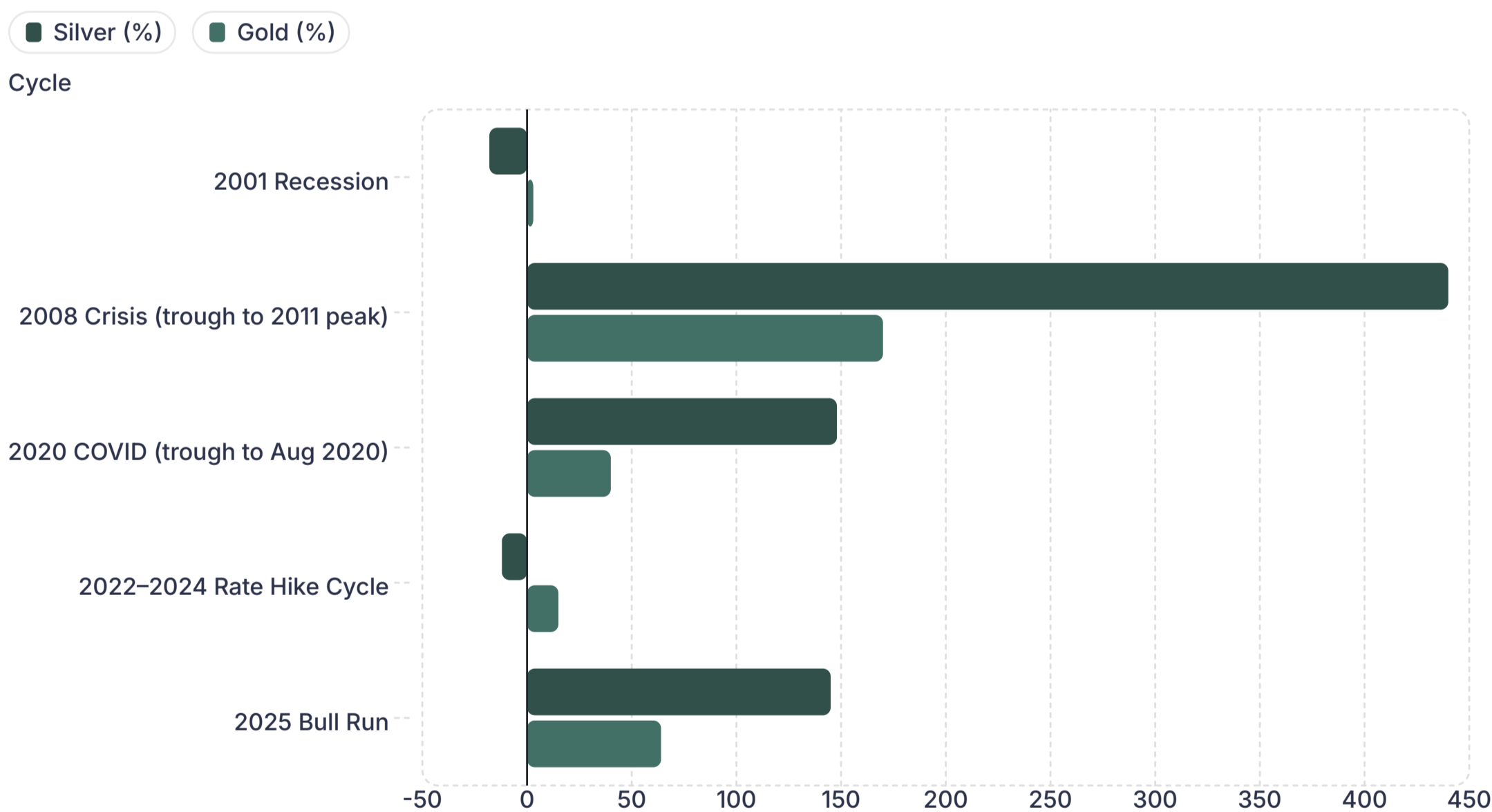
COVID-19 Recession (2020)

Silver crashed from ~\$18/oz to \$11.77 in March 2020 — a 35% drop in weeks — before the Fed's emergency rate cuts to 0% and \$3T+ in QE triggered a violent reversal. Silver surged to \$29.24 by August 2020, a +148% recovery in five months. Industrial demand collapsed initially but was offset by explosive investment demand. Key takeaway: The faster and larger the monetary response, the faster silver's recovery. COVID confirmed silver's sensitivity to real yield compression and dollar weakness.

2022–2024 Rate Hike Cycle

The Fed's most aggressive tightening since 1980 — from 0.25% to 5.50% — created significant headwinds. Silver ranged between \$18–\$26/oz through most of 2022–2023 as real yields rose sharply and the dollar strengthened. However, structural industrial demand (solar PV, EVs, AI infrastructure) prevented a deeper collapse. When the Fed pivoted in late 2024, silver broke out decisively. Key takeaway: Silver can withstand rate hikes when industrial demand is structurally strong, but the real breakout comes at the pivot.

Silver vs. Gold — Cycle Performance Comparison



The 2026 Macro Setup

The current environment is structurally distinct from prior cycles. U.S. inflation remains sticky at ~3.0%, Fed cut rates thrice in previous year, and geopolitical fragmentation is accelerating de-dollarization. Silver surged from ~\$30 to a nominal peak of ~\$121 in January 2026 before correcting to the current ~\$60–\$85 range. Three macro variables define the forward path:

Variable 1 — Real Yields Trajectory

If the Fed accelerates cuts in response to a growth slowdown, real yields will compress further — historically the single most powerful catalyst for silver. A move to negative real yields would likely push silver toward \$100–\$130 range.

Variable 2 — Recession Probability

A mild recession (soft landing) would initially pressure silver via industrial demand weakness, but the monetary policy response would likely be swift and large — replicating the 2020 pattern. A hard recession with delayed policy response is the primary bear risk.

Variable 3 — Dollar Weakness & De-Dollarization

The structural shift away from USD-denominated reserves by BRICS+ nations is a multi-year tailwind. Central bank gold buying (585 tonnes/quarter in 2025) indirectly supports silver by compressing the gold-silver ratio and validating hard asset allocation.

Key triggers to monitor: Fed funds rate trajectory, 10-year TIPS yield, DXY index, CME silver vault inventory levels, ETF flow data, and China PMI.

Two Scenarios for What Comes Next

Nobody knows with certainty where silver goes from here. But we can map the most likely scenarios and identify what signals would confirm each one. Here's the honest framework for the post-\$120+ reality.

Scenario 1: \$120 Was the Top

The spike was a blow-off top. Silver grinds lower — \$60, perhaps \$50 in a bear case scenario - picks a range and consolidates around \$60-90 for next 12 months. On domestic front, assuming USDINR at 94, consolidation could be between ₹185,000 to -290,000 with no major directional triggers.

Watch for: Shrinking deficits, declining industrial demand, surging mine production, deep recession.

Scenario 2: Building a new base with consolidation

Silver could take some months to digest the previous year gains and any demand destructions amidst the US-Iran war. It chops in a \$60-90 range which is ₹185,000-290,000. Then resumes the uptrend in targeting \$130+ in a 12-15 month time frame. On domestic front, assuming USDINR at 94, prices could target 4,15,000+

Watch for: Mixed signals — deficits persist but at lower levels, demand moderates, sentiment stays choppy.

Which Scenario Is Winning?

The fundamentals will tell us. As of March 2026: supply deficits persist, industrial demand remains at record levels, mine production is essentially flat, and critical mineral designation is in effect. Market participants are awaiting clarity on US-Iran war and the global monetary situation **So far, data supports Scenario 2.** But this requires ongoing monitoring, not blind faith.

Current Score

- Deficits: Still present ✓
- Demand: Record levels ✓
- Supply response: Minimal ✓
- Critical mineral status: Active ✓

THE BOTTOM LINE

The Opportunity Isn't Gone — But the Easy Money Is

Fundamentals that drove silver from \$24 to \$120 haven't disappeared. Six years of deficits. Record industrial demand. Structural supply constraints. Critical mineral status. Inflation-adjusted room to run. But the path forward is *clearly* not straight up — you're watching that play out in real-time.

Yes, If You...

- Understand the fundamentals and see they're intact
- Can handle 15–25% drawdowns
- Have a 1-2 year time horizon
- Ready to wait for consolidations

No, If You...

- Are chasing performance without understanding why
- Can't stomach extreme volatility
- Not ready to Hedge or maintain risk to reward strategy

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